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THE USSR AND THE PACIFIC CENTURY

Scott R. Atkinson

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THE USSR AND THE PACIFIC CENTURY

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ABSTRACT

Recent Soviet press statements reflect a growing conviction that the emerging "Pacific Century" has important implications for the USSR. While seemingly downgrading the military component of Soviet Far East presence, Soviet leaders are contemplating various unprecedented measures. Among them are the creation of "free economic zones" and the opening of several ports, including Vladivostok. This research memorandum assesses the status of these developments, discusses some of their implications, and examines the possible nature of economic activity in the zones and potential sites for them. Also briefly noted are new trends in Soviet economic thinking. *International Trade*

EXECUTIVE SUMMARY

Soviet policy in the Far East is changing radically. Soviet pronouncements reflect a clear shift in upgrading the importance of their Far East and the Asian-Pacific region in general. Soviet spokesmen identify the emergence of a "Pacific Century." In addition, Soviet thinking in economic and national security policy as a whole is presently in a state of ferment. Taken together, these two trends suggest a shift away from traditional Soviet reliance on military presence in the Far East and greater interest in economic development, regional trade, and exchange.

Gorbachev's "new thinking" seemingly downgrades the military component in Soviet presence in the Far East. Adherents of the "new thinking," primarily civilian specialists (and especially economists), have openly criticized the Soviet military in the Far East. They have denounced the military's secrecy and have described past Soviet foreign policy in the region, based on excessive military presence, as counterproductive in that it generated fears of a Soviet threat. Meanwhile, these same observers have shifted economic objectives to the forefront.

Criticizing previous policies of economic autarky and isolation, many Soviets now call for joining "the international division of labor" and note "greater economic interdependence" and "powerful economic integration processes" in the region. Evidently impressed not only by China's successes but especially by those of South Korea and Japan, leading Soviet experts now identify the primary economic goal as establishing manufactured-export industries. In doing so, they are striving to bring Soviet technologies up to world standards and to increase the domestic supply of various commodities.

To create an export capability, Soviet commentators have called for various measures, including: (1) the establishment of "free" or "special" economic zones in which foreign firms and joint ventures are encouraged through a variety of means; (2) the use of various state instruments, including a new regional trade coordination body, vastly increased state investment, credits, and other forms of aid and incentives to selected Soviet companies and trading regions; (3) attracting as much foreign credit, labor, expertise, and technology as possible; (4) substantially increasing Soviet emigration into the region by several means; and (5) improving relations with neighboring nations. The underlying goal of the last would seem to be one of decreasing tensions so as to encourage economic cooperation and, one might surmise, to weaken the bargaining position of the Soviet military.

The free economic zones, to be patterned largely on those in operation along the coastal areas of China, would feature various incentives to encourage the entry of foreign capital and expertise in particular. Among the incentive possibilities being discussed are tax breaks and exemptions, discounts on Soviet labor and natural resources used in the zones, and flexible licensing and operational arrangements. Many sites have been proposed; apparently the most probable future prospects are Nakhodka and Khasan (where preparatory measures are reportedly already underway), but several others have been named.

Among the others are Vladivostok and the southernmost four Kurile Islands. However, the "new thinking" constituency promoting free trade activity in these two strategically vital areas has encountered opposition from the Soviet Pacific Fleet Command over the Vladivostok zone. Strategic concerns are no doubt at the core of this opposition; ships might have to be relocated to Petropavlovsk if a free zone were established in Vladivostok. Moreover, foreign presence there and on the Kuriles would create complications for Soviet naval strategy for the region as a whole. Despite this, there were signs during the latter part of 1988 that Vladivostok had been at least partially opened, although no zone has been formally declared, nor had any action been taken on the Kuriles. Nonetheless, recent events have suggested that free economic zones would be established at nearby Nakhodka and Khasan sometime during 1989 or shortly thereafter, with other localities perhaps to follow.

Along with the free-zone plans, the Soviets also have exhibited a new approach in their relations with countries of the region; perhaps most remarkable is the development of trade ties during 1989 with South Korea, a country they had long disdained. In fact, the ROK would seem to be increasingly important to Soviet development plans in the Far East. This is because of the continued reticence of Japan, which, despite visibly increased Soviet attempts to improve bilateral ties, has until now largely resisted greater involvement in Soviet Far East development.

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INTRODUCTION

The 21st century promises to become the century of the Pacific.

-- Vladimir Klyuchnikov, Far East specialist,
Soviet Academy of Sciences

Soviet policy toward the Far East is undergoing dramatic change. Although much of the West's attention has been focused on the changes evident in Soviet policy toward Europe, equally significant shifts in Soviet policy toward the Pacific have gone largely unnoticed.

General Secretary Gorbachev has encouraged new thinking on strategic and economic policies toward the region. In a major address at Krasnoyarsk last September, Gorbachev indicated that economic development of the Soviet Far East has become a top priority. He called for measures to encourage foreign trade, including the creation of special "joint enterprise zones" and opening up Vladivostok as a "bridge" to the Far East. More importantly, Gorbachev has endorsed ideas put forward by reform-minded Soviet academicians; they have called for "free economic zones," the primary purpose of which will be creation of manufacturing-export industries through the exploitation of foreign capital and know-how. At the same time, Gorbachev seeks to downscale the traditionally dominant element of Soviet presence in the Far East, the military.

The Soviet military is reeling under a general public onslaught directed against its previously sacrosanct policies and traditional interests. Academics and journalists have attacked the military's secrecy, and they have claimed that the Soviet arms buildup in the Pacific was counterproductive and played into the West's scheme to isolate the USSR. Surprisingly, one of the most prominent critics has been former Commander of the Soviet Pacific Fleet Nikolai Amelko.

This paper assesses the status of developments regarding the free economic zones and discusses some of their implications. Specifically, it examines the possible nature of economic activity in the zones and the potential sites. The paper will focus on the discussion of opposing views about a special zone in Vladivostok. The likelihood the Soviets will open the zones and Vladivostok underscores the fact that they apparently now view development of the region as critically important. Moreover, the turn eastward is a result of a remarkable shift in Soviet perceptions of the Pacific region. The Soviets have sharply upgraded the region's importance, because, as in the West, they see a "Pacific Century" approaching. Underlying these developments are new trends in Soviet economic thinking, which will be briefly noted also.

Evidence of the new Soviet approach is seen in their relations with countries of the region; perhaps most remarkable is the development of trade ties with South Korea. Finally, the paper examines some of the specific development goals for the Soviet Far East, including (1) the theory behind and the means of creating manufactured-export industries, (2) the stimulation of tourism and cultural exchange with nearby nations, and (3) the bold plans to encourage emigration into the region.

FREE ECONOMIC ZONES: OPERATIONAL ASPECTS AND OPPOSITION IN VLADIVOSTOK

Soviet commentators mentioned a possible opening of "free economic zones" in the Soviet Far East during the summer and fall of 1988. Although most initial discussions were of a general character, favorably discussing the zones but with few specifics,¹ the tempo soon picked up. In his Krasnoyarsk speech, Gorbachev said that special "joint enterprise zones" for the region were being considered, indicating that in these regional zones there will be "a preferential system for tariffs, licensing of foreign economic transactions, and taxation."² He also stated that joint ventures operating in the zones would pay reduced rates for the use of Soviet natural resources and labor. Other Soviets have said that they may allow entirely foreign-owned firms to operate in the free economic zones.³ They have also advocated freeing Soviet joint-venture and other firms in the zones from interference by various state ministries, which have a tendency to issue stifling instructions and to seize hard currency and other earnings. Ideally, Soviet operators would be able to have direct contract relations with foreign suppliers, would be allowed to keep a higher percentage of profits, and would generally be able to have more autonomy in operative and investment decisions than they do at present.

Although Gorbachev did not mention specific sites for the zones in his speech, he reportedly told former Japanese Prime Minister Nakasone that Vladivostok was being "considered" for "open city status."⁴ There has been another recent report that it will be opened in the early 1990s.⁵ USSR Maritime Minister Yuriy Volmer reported in April 1989 that preparations to open the city to foreign vessels were underway.⁶ Vladivostok, as the largest and southernmost Soviet port on the Pacific coast, seems to be the logical choice for a trade center. Some observers have described it as a future "gateway" or "bridge" to the Asian-Pacific region. (Gorbachev himself has called for Vladivostok to become an "international center for trade and culture."⁷) He strongly underscored this view in remarks sent to participants of an unusual international conference held in Vladivostok last October. Noting the city's "gateway" status, he promised to try to remove "all the 'curtains' both invented and real" as quickly as possible.⁸ Similar sentiments were expressed by Soviet commentators at the conference, which was entitled *"Vladivostok: Dialogue, Peace, and Cooperation"*. Economic cooperation was the evident focus. The city was opened to

representatives of 36 nations, including some from the U.S. Thus, the conference in itself was remarkable and could well mark a first step toward opening the city permanently. One should also note that many other Soviet commentators, and especially *institutchiki* (i.e., the institute academicians), have also called for opening it.⁹

In contrast to this enthusiasm for opening Vladivostok, the Soviet Pacific Fleet Command has put up substantial resistance, and Defense Minister Dmitriy Yazov seemed to be opposed as well in comments he made before the new Supreme Soviet Committee for Defense and State Security in July 1989.¹⁰ The Minsk and Novorossiysk carriers were relocated for the occasion of the Vladivostok conference, although much of the rest of the Soviet Pacific Fleet was viewed and photographed by foreign visitors. A Japanese news correspondent reported speculation at the time that some of the ships will be redeployed to Petropavlovsk if Vladivostok is opened.¹¹

There were other signs of opposition. Yevgeniy Primakov, director of the influential Institute of World Economy and International Relations (IMEMO), had a "heated argument" with the Regional Communist Party Chairman over the possible opening of a free economic zone in the area.¹² It is probable that the Party official had a common interest with the Soviet Pacific Fleet Command in opposing the free economic zone; such zones could feature far greater independence for Soviet enterprises, and thus less control for Party officials. In this vein, it is important to recall that previous attempts to decentralize the economy, which would have allowed a larger role for managerial maneuver and entrepreneurship, have been repeatedly bogged down and halted by Party bureaucrats.

Also reflective of Soviet Pacific Fleet Command resistance is a recent report (from an unidentified Soviet source) that Vladivostok will not become a "special economic zone" because of an absence of land for building the necessary infrastructure.¹³ This seems like a singularly lame excuse in view of the fact that Vladivostok already has the best-developed base for a free economic zone of any of the candidate sites.

FREE ECONOMIC ZONES: OTHER SITES

Despite the fact that resistance to a free economic zone in the Vladivostok area has been considerable, prospects at other sites appear to be more favorable. Nakhodka, just to the east of Vladivostok, has been frequently mentioned as a potential site for a free economic zone.¹⁴ The Nakhodka zone would probably encompass the port of Vostochnyy and would extend inland to Partizansk.¹⁵ In many ways Nakhodka would be a more natural site than Vladivostok, because it already has a considerable number of foreign ties. It is linked by regular liner service to Niigata, Japan, and apparently has trade links

with the Japanese related to fishing activities. Ships from 35 nations made port calls to Nakhodka in 1988. Nakhodka is also the home port for much of the Soviet Pacific fishing fleet. This fleet has a series of joint ventures with Pacific countries, including the U.S.¹⁶ The greater Nakhodka area includes three large ports and has ample railway connections, two features that would also seem to suit it to trade activity.

Other areas often mentioned recently are the Khasan area on the border of North Korea and the Pogranichnyy area due north of Vladivostok on the Sino-Soviet border.¹⁷ In addition to Vladivostok and the three other areas named, a recent report affirmed that a total of 15 candidate sites in the Far East are under consideration; the same report claimed that preparatory measures have already been taken at several sites, including Nakhodka and Khasan.¹⁸ Khasan has apparently been especially attractive to the Japanese; among the possibilities put forward by them recently are construction of automobile and small high-grade commodities-producing plants and establishing insurance firms there.

Other sites recently mentioned are De-Kastri, a port far northward near the mouth of the Amur River,¹⁹ the railroad center of Glodykova,²⁰ and regions in the southern part of the Khabarovsk Krai. Some Soviet writers have proposed Blagoveshchenk, and South Sakhalin Island, as free zone candidate sites; in this vein, Soviet authorities are reportedly considering opening the ports of Vanino and Korsakov on Sakhalin.²¹ Of particular importance here are the four contested southernmost Kurile Islands (the "Northern Territories"); while the Soviets have refused to yield the islands, some of the institutchiki have recently voiced disagreement with the official line and have called for "joint management" with Japan or a lease arrangement.²² IMEMO's Primakov has suggested that some of the islands should be declared a "free tourist zone."²³

The Soviet Academy of Sciences is presently mapping out an ambitious development program (in fact a revision of a major 1987 plan) for the Soviet Far East, in which the free economic zones figure prominently. V. Tikhomirov, a participant in the Academy of Sciences' program, reported recently that the triangular area of Vladivostok, Khasan, and Nakhodka will be "intensively" developed.²⁴ The Pogranichnyy area will reportedly serve as a center for Sino-Soviet border trade (which is already flourishing), and Nakhodka will be primarily for Japanese and South Korean trade. Khasan will reputedly have trade with all three nations.

In his speech on 16 September, Gorbachev stated that the creation of a regional Soviet body to coordinate foreign trade activity was overdue. Notably, this idea was proposed earlier by V. Ivanov of IMEMO in July 1988,²⁵ again confirming a correspondence between the

institutchiki and official pronouncements. The Soviets have mentioned Khabarovsk as a possible site for this entity.

THE INSTITUTCHIKI, AMELKO, AND THE SEVMORPUT' AFFAIR

The impetus for the Vladivostok conference and related plans for economic development of the region have come from civilian researchers tied to the Ministry of Foreign Affairs (MFA), the Institute for the Study of the USA and Canada (ISKAN), or IMEMO. These specialists have become close advisors to Gorbachev in regard to such radical economic proposals like the free economic zones. Interestingly, it is also these *institutchiki* and MFA types who have played a key role in downgrading the military aspect of Soviet foreign policy as a whole. They have been specifically critical of Soviet military presence in the Far East.

The academicians have sharply attacked the Soviet military's obsession with secrecy²⁶ and have called the past buildup of military power counterproductive in that it angered nearby nations and generated fears of a Soviet threat.²⁷ They have also claimed that the U.S. strives to force the USSR to build up its Far East military presence so as to politically isolate the USSR and to impair economic development.²⁸ Although this is a rhetorical argument, one notes that a serious implication underlies it: that in their arms buildup, the Soviets would be playing into the hands of the U.S. Several advocates of the "new thinking" have thus called for replacing the overwhelmingly military character of Soviet presence in the Far East.

The MFA and the institutes have reinforced their credentials by bringing retired military brass to aid them. Of particular importance for the debate over the Soviet military presence in the Far East is Nikolai Amelko, formerly Commander of the Soviet Pacific Fleet and Deputy Commander-in-Chief of the Soviet Navy, now a consultant at the Foreign Ministry. Amelko has become prominent lately as a public-relations spokesman for the "new thinking" in foreign policy.

Surprisingly, Amelko recently criticized the Soviet naval buildup in the Pacific during the last decade, the period during which he served as Commander of the Soviet Pacific Fleet.²⁹ He specifically denounced efforts to build and deploy the same types of vessels as the U.S. Navy and claimed that he appealed to former Navy Commander-in-Chief Gorshkov and former Defense Minister Ustinov not to build the Kiev-class carriers due to their expense and vulnerability.

It is also important to note that Amelko revealed privately that he is sharply critical of the controversial book by N. V'yunenkov et al., *The Navy: Its Role, Prospects For Development and Employment*. This book, which promotes naval missions at variance with the defensive emphasis of the "new thinking," has also been attacked by *institutchiki* Aleksey Arbatov and Alexander Salev'yov.³⁰

Amelko was the first Soviet official to disclose that the Soviet Pacific Fleet is to be included in Gorbachev's announced plan to reduce the Soviet military presence in the Far East. At the same time, he claimed that 57 Soviet combatants have been taken out of service over the last three years as part of the shift to a more defensive posture.³¹

Amelko also took part in the Vladivostok conference. He confirmed that there was resistance in the military to opening Vladivostok but nonetheless confirmed that the decision to open the city had already been taken.³² In April 1989, he said that, in preparing to open Vladivostok to foreign vessels, the Soviet Navy has eliminated "part" of its facilities there.³³

The local populations and authorities in the Far East have also been critical of the military. Perhaps the most dramatic example of this is the incredible saga of the Soviet nuclear lighter carrier *Sevmorput'*, which was denied entry at the ports of Magadan and Nakhodka³⁴ before finally gaining entry, after initial rejection, into Vladivostok. Local officials denied the vessel port entry because they were angered by the secrecy of the ship's command in their refusal to provide information about the ship's radiation safety features. No less telling have been press complaints related to the huge expense of the vessel and its operations. Secrecy and the expense issue have been key features of the press assault on the military as a whole.

The *Sevmorput'* incident revealed that the Soviet Far East military is woefully lacking in the area of public relations. This is hardly surprising in light of the fact that until now the military as a whole was exempt from criticism and did not need to consider public attitudes. Extraordinarily high defense burdens were borne without open discussion or complaint. For the first time, the Soviet military leadership as a whole is indicating that development of a public-relations ability is of utmost importance. Indeed, this comes at a time when Soviet civil-military relations have never been worse--hence the large number of recent military writings wishfully stressing the unity of the military and the people and bemoaning the widespread civilian criticism in the mass media.

THE USSR AND THE "PACIFIC CENTURY"

Soviet aims in developing their Far East are linked to shifting perceptions about the importance of the region and Soviet goals within it. Dr. Primakov, reflecting an increasingly widespread view within the USSR, stated after the Vladivostok conference that:

The Pacific region has become the center of world development. Today it is demonstrating the most rapid rates of economic growth and scientific-technical progress. I am not talking only about Japan or the West coast of the United States but also about the so-called 'economic tigers'--South Korea, Taiwan, Singapore, and Hong Kong. Thailand, Malaysia and Indonesia are developing rapidly. A state's strength is determined less and less by its military power alone. The United States could not become great until it had really opened up its own West. This has mainly occurred since World War Two.³⁵

Comments by other Soviet observers are equally intriguing. One journalist noted that "in the Pacific Basin a new center of world economy has formed (around 60 percent of world industrial production and more than a third of world trade are there)."³⁶ An expert in the Academy of Sciences favorably comments on the Japanese *Japan in the Year 2000* report, which, he notes, forecasts that the nations of the Asian-Pacific region will eventually overtake the United States and Western Europe combined in economic production if the recent rates of growth continue. Like other Soviet Far East watchers, he also mentions and applauds the "four tigers," noting that their average GNP growth in 1988 came to 11.4 percent. Others have noted that as the economic share of the Asian-Pacific region grows each year, so too will its influence on overall power arrangements and international economic relations.³⁷

Economist Ivan Tselishchev of IMEMO wrote in April 1989 that

We are now witnesses to the beginning of a radical restructuring of the world capitalist economy on the basis of electronics, informatics, advanced means of communication, and new materials. This, evidently, is to be the infrastructure of the next century. In many aspects of this process, the Asian-Pacific region will set the tone.

Already now Asia has become the center of world production of integrated systems,³⁸ the undisputed leader in domestic electronics, etc.

Influential *Izvestiya* political commentator Alexander Bovin, meanwhile, stated that Gorbachev's speeches at Vladivostok and Krasnoyarsk indicated an eastward turn in Soviet policy. He said that "much more" attention was being given to the region and that

There is a need to develop and be equal partners with Japan and the United States--with these giants, and even with such tiny, if you will forgive the term, countries as Singapore and, let us say, Hong Kong, and now South Korea.

In other words, it is necessary to intensively develop our Far East. Siberia is almost our backdoor on Asia. It must be very strong so we can play an energetic role in the East.³⁹

PACIFIC DEVELOPMENTS AND SHIFTING ECONOMIC THEORY

The "new thinking" about the Pacific region reflects no less remarkable shifts in Soviet economic theory. Discarding the old penchant for autarky and isolation, Soviet economists overwhelmingly now speak of the "internationalization of the world economy" and increasing economic interdependence and interconnection. In this new world, no country, they believe, can develop adequately without being involved in "the international division of labor." Vladimir Klyuchnikov of the Academy of Sciences points to the Pacific in this context:

The 21st century promises to become the century of the Pacific Ocean. This circumstance has the most direct relevance for us as a country and a people. We have to take fully into account, and not only to theorize, that within the framework of interdependence, powerful integration processes are under way and new regional economic relations are developing, which sooner or later will encompass all countries and will overcome⁴⁰ any and all economic boundaries and barriers.

Thus, the order of the day is not just openness in the political sphere but also in the economy.

The rejection of many of the standard Marxist interpretations of capitalism and transnational corporations is a striking corollary to this new thinking. It is now noted with sarcasm that capitalism had far greater reserves of strength than the conventional Marxist wisdom had declared.⁴¹ (The Soviets historically talked in terms of a "final crisis of capitalism" and of other similar concepts.) The change of language is in itself instructive; under Gorbachev, such terms as "division of labor," "joint work," and "exchange" have become commonplace. Long vilified as a sinister element of capitalism, transnational corporations (TNCs) have begun to draw the praise of Soviet economists, some of them even calling them progressive in their

tendency to stimulate technological development and economic integration between nations. One author stated that "undoubtedly, the dynamism of technological development [in the Asian-Pacific region] has been made possible, in no small measure, by the activity of the TNCs, and first of all by Japanese and American ones."⁴² This and other writers also favorably assess the role of foreign capital in economic development and thus reject traditional Marxist doctrine on the matter.

Soviet Third World specialists have largely resigned themselves to the fact that the socialist model is a failure in the Third World, and that there is simply no socialist counterpart to the "newly industrialized countries"⁴³ (like the "four tigers," this is another Western term new to Soviet parlance) that are being eulogized. Moreover, it is noted that capitalism has had enough reserve strength to launch a scientific-technical revolution, especially in the information technology sphere, one of the primary reasons for the ever greater interconnection in the world.

"NEW THINKING" ON JAPAN AND SOUTH KOREA

The meteoric economic rise of Japan and South Korea in particular have evidently had a major impact on Soviet perceptions. Whereas in the past these two nations, and especially the latter, were treated quite negatively, sometimes as mere appendages of the U.S. (South Korea was officially ignored or at times darkly depicted as a puppet state), the Soviet press now falls over itself in extolling their economic achievements. "The most important factor in the rapid shift of the center of the planet's economic life to the Pacific Ocean, without a doubt, is the economic development of Japan, which before the eyes of one generation has become a great economic power," says Klyuchnikov.⁴⁴

Gorbachev himself said of Japan in the Krasnoyarsk speech: "The Japanese appear to have proved that in the modern world it is possible to achieve great power status without relying on militarism."⁴⁵ This would obviously appear to be an propaganda maneuver to play up to Japanese pride; still, there are reasons for believing that Gorbachev meant what he said in the statement. It is noteworthy that, as the "new thinking" has pushed economic aspects of national security to the forefront, Japan has been mentioned increasingly.⁴⁶

While it is beyond the scope of this paper to delve into the fluctuations of Soviet-Japanese relations under Gorbachev, it is worth mentioning that Soviet efforts to reach a diplomatic breakthrough with Japan have increased lately. Although there have been some signs that joint venture and other trade relations could expand rapidly were political conditions favorable, no major change has occurred. Even though a Soviet-Japanese lumbering joint venture was recently established in Irkutsk (as well as a Japanese trade office there), and

several joint venture fishing agreements have been reached, the Northern Territories issue until now has precluded a breakthrough of the sort the Soviets seem to have in mind.

Meanwhile, the first-ever Soviet approach to South Korea has made progress; by early 1989, direct trade between the two nations appeared imminent. The Soviet turn toward the ROK is perhaps the most striking evidence of the Far East "new thinking" tactics in action. There has been a new awareness of the country, sometimes reflected in unlikely places. One of those was the 19th CPSU Conference in June 1988, an event of major significance in its unprecedented candor and in the response it evoked. Perhaps no speaker, other than Gorbachev himself, was more quoted in the Soviet press than the fiery A. Kabaizde, the much-lauded Director of the Ivanovo Machine-Tool Production Complex. Kabaizde, criticizing the inefficiency of Soviet design/scientific research institutes, said of South Korea:

There is something related to the scientific-research institutes of South Korea that I never heard before, and just imagine it: South Korea has broken into the top ten of the industrially developed nations. There is much more one could say here. Comrades! We should study, and look around, at how others are working.⁴⁷

Since then, and especially at the beginning of this year, several prominent articles have applauded South Korea, and especially, but not exclusively, its economic achievements.⁴⁸ Typical are profiles of South Korean firms' export triumphs.⁴⁹ Evidently, the Soviets recognize that South Korea has had an increasingly important role in the economic boom of the Asian-Pacific region. Vladimir Malkevich, chairman of the Soviet Chamber of Trade and Industry, said in this context: "First of all I would stress that today the Asian-Pacific region produces more than half of the combined world GNP, and over 40 percent of world trade takes place there. No wonder the next century is often called the 'Pacific Era.' The Korean Peninsula is an important part of that region, and Soviet and South Korean business circles' interest in one another is increasing all the time."⁵⁰

Top executives from a number of South Korean firms, including giants Hyundai and Daewoo, visited the USSR during late 1988-early 1989.⁵¹ The Deputy Chairman of the Soviet Chamber of Commerce and Industry, Vladimir Golanov, has been the main contact from the Soviet side. Interestingly, Georgi Arbatov, Director of ISKAN, was due to visit in March 1989; in an interview, he revealed that ISKAN has been one of the main proponents and early initiators of trade ties between the two nations.⁵² One notes that Primakov of IMEMO spoke matter-of-factly about South Korea's economic power at the Vladivostok

conference. Arbatov's early visit, along with other events, suggests that once again the ISKAN-IMEMO axis is playing a key role in the evolution of policy under Gorbachev.

Many projects have been discussed, and specific agreements have been reached on some of them. For example, Daewoo has "worked out a program" for refitting the Stask floating base for the Soviet fishing fleet.⁵³ The Ssangyong Construction Company has been asked to build a "mammoth" trade center in Moscow, on the basis of a commercial loan.⁵⁴ Hyundai has also agreed "in principle" to begin Far East joint ventures during 1989 in construction, manufacturing, and fisheries.⁵⁵ Perhaps most significantly, a bilateral port-opening agreement was reached in January; under its provisions, the USSR will open Vostochnyy (on Sakhalin Island) and Nakhodka to South Korean ships, and Soviet ships will be allowed to undergo repairs and refueling in Pusan and Inchon.⁵⁶ The two nations also agreed to establish a regular direct sea lane.

From the Soviet side, NOVOSTI planned to open a Seoul office in March 1989, and Aeroflot was reportedly considering opening service to Seoul also. Meanwhile, the Soviet Civil Aviation Company has announced that its planes will fly a Moscow-Shanghai-Seoul route.⁵⁷ Finally, among other things, the two sides opened bilateral trade offices in March 1989. Until now, however, the Soviets have shied away from full diplomatic ties, though there have been rumors that the Soviet and South Korean trade offices might provide consular functions.

No doubt, the Soviets fear the wrath of their traditional ally North Korea. North Korea has been quite vocal in denouncing Hungary for having recently established diplomatic ties with the ROK. The North must be no less dismayed to see that Yugoslavia has also established a trade office, and Poland, Bulgaria, and others appear to be headed in the same direction. All of this renders the impression that North Korea may have been downgraded in the Soviet list of priorities. In fact, the Soviets seem to be prodding the North Koreans to open up their own market more, especially to the South Koreans.⁵⁸ Still, the military-strategic relationship between the two nations remains close.

Despite North Korea's opposition, Soviet actions suggest that South Korea's capital and technology are increasingly important in their Far East development plans, especially given the stalemate with Japan over the Northern Territories issue. No doubt a further stimulus is China's profitable turn toward the ROK. Chinese-ROK trade has been substantial in recent years, a development not missed by Soviet commentators.

The vast improvement in the Sino-Soviet relationship itself has been widely noted elsewhere. Although it is beyond the scope of this paper to document this occurrence, a few comments relevant to the preceding discussion are in order. First, China's dramatic economic

successes, especially in its free economic zones, have had an obvious impact on Soviet economic thinking.⁵⁹ The regional specialization aspect of Soviet plans for the free economic zones are in fact borrowed from the Chinese model, which has been praised highly by leading Soviet economists like L. Abalkin and O. Bogomolov. Just prior to Gorbachev's arrival in Beijing during May 1989, Yevgeniy Primakov visited several of China's free economic zones.

SPECIFIC SOVIET OBJECTIVES: EXPORTS, TOURISM, AND EMIGRATION

The Soviets hope to create a robust finished-goods export sector and a raw-materials processing ability in their Far East. Most writers criticize the historic reliance of the region on raw-materials export. They recognize, however, that establishing a strong export sector will take time, and, in the short run, it probably will be necessary to rely on raw materials/oil products to earn hard currency for investment needs.

In fact, several Soviet specialists have laid out bold plans for a rapid export development plan. A vivid example of this is a recent article in the journal *MEMO* by V. Spandar'yan and N. Shmelev.⁶⁰ Noting the successes of Western nations, they call for throwing all possible resources into this effort: major state investment, foreign credits, and state subsidies and marketing aid for Soviet enterprises. They also promote the use of a trade policy that is favorable to Soviet exports, and they repeatedly emphasize the necessity of establishing a convertible ruble. The inconvertibility of the ruble, one notes, remains perhaps the most important impediment to greater Soviet foreign trade and joint venture activity. Spandar'yan and Shmelev also promote establishment of large transnational trading firms, which have "proven highly efficient in Japan, which in a short time became the leading trade power of the world,"⁶¹ and advocate elimination of "the isolation from the competitive struggle with foreign producers." In this vein, it is fascinating to observe that Shmelev has called for allowing unprofitable Soviet firms to fold and has praised Reagan's free market policies.⁶² No wonder Shmelev, to whom Gorbachev reportedly listens closely, is considered one of the Soviet Union's most radical economists.

Spandar'yan and Shmelev also criticize several aspects of then-existing Soviet law governing foreign trade activity, including the stipulation that Soviet ownership must constitute 51 percent and the chairman of the enterprise must be Soviet. Both of these stipulations have now been removed, and the legal guarantees of foreign partners have been more carefully defined, another item Spandar'yan and Shmelev sought.⁶³ For the Far East, they call for establishing both "zones of free trade" (where foreign equipment and management, along with Soviet utilities, raw materials, and labor would prevail) and "special economic zones." In both zones the development of Soviet export industries would be the primary aim.⁶⁴

In short, what the authors promote is an "export offensive," a "breakthrough" onto the world market. Their strategic language and urgent tone are distinctive. "In such an exceedingly serious, very difficult matter as the revision of the foreign trade structure, as the mobilization of all possible sources of export, we cannot disregard anything."⁶⁵ One can understand Gorbachev's stated troop and defense budget cuts in the context of this and the overall economic goals of perestroika.

The Soviets' larger goal in the "export offensive" is to bring their technology up to the highest world levels. Soviet commentators also mention the possibility of meeting unsatisfied domestic demand for various commodities as an aim in creating the export sector.

Although seemingly of less importance, recent discussion of the economic opening has often focused on developing tourism as well, especially on south Sakhalin Island and in the Vladivostok-Nakhodka-Khasan triangle; apparently the main target would be the Japanese, who have expressed an interest. The Kuriles and south Sakhalin Island are of course former Japanese possessions; thus, many Japanese have visited them to see relatives and gravesites. Soviet commentators have proposed that tourist facilities be developed to encourage these visits. Moreover, strange as it may seem, the Vladivostok-Khasan-Nakhodka area is highly regarded for its tourism potential, owing to its mineral waters, hot springs, scenic topography, beaches, and warm summer climate.

Related to tourism has been a new interest in other forms of foreign contact. Cultural-educational exchange with nearby nations has been repeatedly advocated. Part of the stated effort here is to send Soviet students into the ROK and Japan, in particular, to study exporting techniques. In harmony with this trend is new Soviet participation in several regional forums, such as at the Pacific Basin Cooperation Study Group (beginning at the Vancouver, B.C., meeting in November 1986).

To develop the Far East fully, a vast expansion of the underdeveloped social sphere will be necessary, as will be strong incentives to stimulate emigration into the region. As with the development of a Far East export sector, several specialists have called for a population influx into the Far East with bold proclamations:

In the course of 20-30 years, the country must literally turn to the East and attract *tens of millions* [author's italics] of the most energetic, enterprising and industrious people. They will have to create the Pacific Ocean Economic Region in the course of one generation, having thrown its windows and doors wide open for international cooperation.

The program for the economic and social development of the Far East territory must be comparable in the scale and concentration of forces with industrialization or with the postwar reconstruction period.⁶⁶

The same author calls for a variety of incentives, including construction of high-quality housing, the granting of military deferments, vastly greater investments in schools and other social elements.

One possible source of immigrants is the servicemen to be released as part of Gorbachev's 500,000-man troop cut announced in December 1988. This possibility has already been noted by one Soviet economist, who recalled that some of the Soviet troops demobilized during the late 1950s had played an important role in Far East projects.⁶⁷ The Soviets also plan to attract as much foreign labor as possible; one notes that already hundreds of Chinese, Vietnamese, and North Koreans are employed in the Vladivostok area.

It is interesting to note that, in discussing Soviet immigration into the Pacific region, Soviet writers have at times raised the example of the U.S. Pacific coast. Thus, they describe "stormy processes of Westernization" in which the Pacific states account for an ever-increasing share of total U.S. population, economic output, and foreign trade.

CONCLUSIONS

The Soviet "charm offensive" has brought about improved relations with neighboring Far East nations; the only nation with which ties have not clearly improved is North Korea. It would seem that economic objectives are foremost in the new Soviet Far East policy. Tirades against the U.S. have been diluted, as noted in Gorbachev's speech at Krasnoyarsk, although U.S. military presence continues to be an object of criticism. "Enemy image" propaganda in general has been gradually decreasing in Gorbachev's USSR. Beyond this, the Soviets have made numerous proposals for joint venture and other activity with the U.S. in the region. In this vein, the Soviets have shown increased interest in ties with Alaska, in both the cultural and economic spheres.

As noted before, the ROK would seem to be increasingly central to Soviet development plans in the Far East. Because of the Northern Territories controversy, Japan is apt to remain cautious toward greater involvement in Soviet Far East development. Meanwhile, the ROK seems less encumbered by such concerns. Further, there are indications that the South Koreans may wish to enhance their own economic power by taking

advantage of opportunities before the Japanese do, or at Japanese expense. The Koreans recently tried unsuccessfully to reach an agreement with the Soviets that would have allowed ROK firms to transport freight and direct trade goods between the two countries via the Trans-Siberian Railroad and South Korean ships. The agreement would have affected an existing agreement, between some Japanese shipping firms and a Soviet firm, related to these transport arrangements.⁶⁸

The South Koreans may be favored over the Japanese, however, by certain historic factors, not the least of which are the Japanese military engagements in the Russian/Soviet Far East in 1905, 1918-1920, and at Khalkin-Gol in 1939. There is little doubt that this legacy has left a certain amount of fear in many Soviets, apart from their traditional xenophobia. Some Soviet citizens in the Far East have already expressed opposition to letting foreigners develop their territory, and it is probable that they are most concerned about the Japanese. In this regard, some have recently complained that the new Irkutsk timber venture is of one-sided benefit to them. Thus, even though the Soviets have recognized the tremendous potential Japan has for developing their Far East, they will probably continue to develop ties with South Korea as a counterweight or substitute to Japan.

From a strategic standpoint, some aspects of Gorbachev's Far East policy must be the source of unease among military brass in Vladivostok. Relocation of naval assets presently located there, in the event of a free economic zone being established, would almost certainly act adversely on Soviet warfighting ability and reduce flexibility. Petropavlovsk is obviously no match for Vladivostok in its geostrategic position and in its communications/transportation network. Thus, relocation would probably be taken only as a last resort.

Evidently the military, and especially the naval leadership, is concerned that its virtual monopoly over development decisions in the area could be in jeopardy after 70 years; moreover, there must be concern that the granting of concessions at this point would establish a precedent and would perhaps convey an image of weakness. Surely causing no less anxiety than the possibility of a free economic zone in Vladivostok are murmurs about joint management of the southernmost Kuriles, which are critical in Soviet maritime strategy in the Pacific. Unquestionably, foreign presence in this area could create complications in wartime.

Whether the Soviet Pacific Fleet Command can block these encroachments probably depends in a large measure on the strength of its alliance with the mid-level Party bureaucracy in the region. One would surmise that the alliance is a strong one at present. Nonetheless,

recent evidence suggests that one or more of the free economic zones will be established in the near future. Nakhodka will most likely become the first such zone.⁶⁹ Should this be the case, it would represent a clear defeat for the alliance, and for the Pacific Fleet Command in particular. Were the Soviets to grant the Japanese concessions on the Kuriles, that would provide still more striking evidence of the growing strength of the economic sphere in Soviet security policy, at the expense of the military component.

Prospects for development of the Soviet Far East appear to be quite favorable. First, the Soviet Far East obviously enjoys a favorable geographic location, being near several economically dynamic nations with which a substantial trade relationship could result. Second, the immediate trade relationship would seem to have obvious benefits and a clear division of labor for those involved. Both South Korea and Japan have shown a willingness to expand their trade with the Soviets; the Soviets have a wealth of raw materials that both nations need. Meanwhile, Japan and South Korea offer the capital, marketing know-how, management expertise, and technology the Soviets seek. Third, the Soviets can quickly stimulate the interest of these two nations further by means of the free or special economic zones, combined with various concessions to encourage investment; granting concessions to the Japanese on the Northern Territories issue would no doubt greatly hasten their involvement in the Soviet Far East. Fourth, the statements of Gorbachev and Soviet economic and Far East specialists indicate that they are cognizant of these factors and seem to be amenable to revising Soviet policy to accommodate them.

It is important to recall that two of Gorbachev's most significant speeches were delivered in the Far East--at Vladivostok in July 1986 and at Krasnoyarsk in September 1988. In both speeches, he stressed issues related to economic development of the Soviet Far East. At a certain level, one suspects that the Soviets' "new Pacific thinking," with its turn away from the traditional, conservative Eurocentrism of Soviet policy, has a visceral appeal to the trendy Gorbachev.

Although Gorbachev has not employed them, terms like "dynamic" and "progressive" have been used lately by several Soviet commentators in reference to the economic advance of nations along the Pacific rim. As noted above, these observers often include among the areas of most dynamic economic development the U.S. west coast, which they see as having increasing significance for the U.S. as a whole; some have even stated plainly that California is the site for the most rapid, progressive technological developments.

In conclusion, the Soviet discussion of free economic zones, taken together with the new Soviet policy toward nations of the region and other events, strongly suggest that Soviet policy in Northeast Asia is undergoing change. Soviet pronouncements of late amount to a recognition of economic defeat and reflect a far different world view than that of the past. Therefore the Soviets are now attempting, through a thicket of domestic obstacles (and some foreign), to increase their economic ties with the capitalist world. These developments should be watched attentively, for, if they are successful, they could ultimately play a vital role not only in future development of the Soviet Far East, but in the future of perestroika as a whole.

NOTES

1. E.g., A. Cherepanov, "Free Economic Zones," *Moskovskiye novosti*, August 14, 1988, p. 5; A. Kovalev, "Priorities of the Foreign Policy of the USSR," *Mezhdunarodnaya zhizn'*, No. 9, September 1988, pp. 36-39.
2. M. Gorbachev's speech, *Pravda*, September 18, 1988, pp. 1-3.
3. Foreign-owned firms would pay low customs duties (while joint ventures would be exempt), and tax rates on incomes, agricultural products, fixed assets, and dual remittances would be fixed at a low rate, e.g., "Japan Urged to Participate in Economic Zones," *FBIS-SOV*, February 9, 1989, pp. 17-18. For a more detailed analysis of the terms and types of zones being considered, see I. Doronin, "Special Economic Zones in the Socialist Economy," *MEMO*, No. 3, 1989, pp. 69-75.
4. G. Alimov, "Vladivostok Will Be Open to All," *Izvestiya*, September 4, 1988, p. 2, among others.
5. "Vladivostok Port Readies for 'Opening' to West," *FBIS-SOV*, November 3, 1988.
6. "Maritime Minister Says Vladivostok To Open Port," *FBIS-SOV*, April 21, 1989, p. 25.
7. See Gorbachev's Vladivostok speech, *Pravda*, July 29, 1986, pp. 1-3.
8. Message from Gorbachev printed in *Pravda*, October 1, 1988, p. 1. See also O. Skalkin interview with Ye. Primakov, *Pravda*, October 8, 1988, p. 4.
9. E.g., Interview with Ye. Primakov, *ibid.*; A. Il'in, "The Bridge to the Ocean," *Novoye vremya*, No. 35, 1988, pp. 18-19; A. Guber, "Just a Drop in the Ocean," *Novoye vremya*, No. 46, 1988, pp. 26-28; comments of V. Lukin, "The Vladivostok Initiatives. Two Years On," *Mezhdunarodnaya zhizn'*, pp. 140-154; "The Turn to the East," *Novoye vremya*, No. 42, 1988, pp. 8-9; *FBIS-SOV*, March 8, 1989, p. 22, etc.
10. For resistance of the Pacific Fleet Command, see A. Guber, *op. cit.* Evidently servicemen in Vladivostok were uneasy about the opening of the city for the conference, some of them acting agitated and bewildered when approached by foreigners. *FBIS-SOV*, November 3, *op. cit.* Marine Resources Company of Seattle encountered resistance, from naval interests, to its opening of a branch office in Vladivostok, a plan under negotiation in June 1989 (personal communication with company representatives).

Defense Minister Yazov, in his astoundingly candid comments on defense matters before the new Supreme Soviet Commission on Defense and State Security (patterned on the model of the U.S. Senate Armed Services

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Committee), underscored that Vladivostok was formed as a naval base. Still, he said that the naval headquarters, main moorages and depots "should be removed" and he asked for 307 million rubles "to remove the depots more quickly and to open Vladivostok"! "Yazov Addresses 3 July Session," *FBIS-SOV*, July 5, 1989, pp. 40-45, quotations, p. 45.

11. Ibid.

12. S. Glukhov, "Cooperation Starts With Dialogue," *Sotsialisticheskaya industriya*, October 2, 1988, p. 3.

13. "Soviet Plan on Special Economic Zones," *FBIS-SOV*, November 2, 1988.

14. "Nakhodka To Become 'Special Economic Zone,'" *FBIS-SOV*, October 13, 1988, p. 58; S. Glukhov, op. cit.; *FBIS-SOV*, November 2, op. cit.; *FBIS-SOV*, November 3, op. cit., among others.

15. *FBIS-SOV*, November 2, op. cit.

16. The U.S. joint venture is with Marine Resources Company, based in Seattle and Dutch Harbor, Alaska; this company has had a branch office in Nakhodka for several years.

17. *FBIS-SOV*, November 2, op. cit.

18. "Politics, Economics Intertwined," *FBIS-SOV*, January 26, 1989.

19. This report came from V. Golanov, Vice President of the USSR Chamber of Commerce and Industry. "Sites for Economic Zones Under Consideration," *FBIS-SOV*, February 9, 1989.

20. "Planned Far Eastern Free Economic Zones Discussed," *FBIS-SOV*, February 8, 1989, pp. 77-78; also S. Glukhov, op. cit.

21. *FBIS-SOV*, April 21, 1989, op. cit. A Soviet radio report in April 1989 discussed at length various planned joint ventures with the Japanese on Sakhalin, primarily in forestry and fisheries; it also called for the whole island to be declared a special economic zone. "Sakhalin Development Includes Japanese Ventures," *FBIS-SOV*, May 10, 1989, pp. 27-28.

22. "Rogachev Sees Scholarly Disagreement," *FBIS-SOV*, November 3, 1988.

23. S. Glukhov, op. cit.

24. "Soviet Scholar on Trade With ROK," *FBIS-SOV*, February 14, 1989, pp. 17-18.

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25. "The Vladivostok Initiatives," op. cit., p. 149.
26. E.g., "The Vladivostok Initiatives," op. cit.; A. Il'in, "The Bridge to the Ocean," op. cit.
27. E.g., "Rogachev Pre-Meeting Interview," *FBIS-SOV*, October 5, 1988, p. 9.
28. "The Vladivostok Initiatives," op. cit., p. 151.
29. "Retired Admiral Cited on Soviet Naval Buildup," *FBIS-SOV*, December 20, 1988, p. 14 (annex).
30. A. Arbatov, "How Much Defense is Necessary?" *Mezhdunarodnaya zhizn'*, March 1988, pp. 33-47, and A. Salev'yov, "Prevention of War and Deterrence: Approaches of the Warsaw Pact and NATO," *MEMO*, No. 6, 1989, pp. 19-29.
31. "Soviet Troop Cut Said to Cover Pacific Fleet," *FBIS-SOV*, April 17, 1989.
32. *FBIS-SOV*, November 3, op. cit.
33. *FBIS-SOV*, April 17, op. cit.
34. I. Kots, "Ruinous Drift," *Sovetskaya Rossiya*, March 7, 1989, p. 2.
35. O. Skalkin interview with Primakov, op. cit.
36. A. Guber, "Just a Drop in the Ocean," op. cit.
37. Yu. Lebedev, "The Asian-Pacific Region: From An Arms Race to Universal Security," *Politicheskoye obrazovaniye*, No. 7, 1988, pp. 93-100.
38. I. Tselishchev, "High Technologies and the Economics of the Asian-Pacific Region," *MEMO*, April 1989, pp. 91-99.
39. "Roundtable on U.S. Election, Asia Policies," *FBIS-SOV*, 14 November 1988, pp. 7-11.
40. A. Klyuchnikov, "How Do We Answer the Call? The Soviet Far East on the World Map," *Sotsialisticheskaya industriya*, September 11, 1988, pp. 1, 3.

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41. E.g., "In Leningrad State University," *Voprosy ekonomiki*, No. 8, 1988, pp. 17-36. See comments of N. Kolesov, p. 28. Also of interest, among other things said during the discussion, is the declaration of N Raskov that Lenin's *Imperialism, the Highest Stage of Capitalism* "is losing its meaning" (p. 27).
42. I. Tselishchev, op. cit., pp. 91-92.
43. One of the most hard-hitting examples of this is A. Kiva, "The Developing Countries, Socialism and Capitalism," *Mezhdunarodnaya zhizn'*, February 1989, pp. 57-67.
44. A. Klyuchnikov, op. cit., p. 1.
45. Gorbachev's Krasnoyarsk speech, op. cit., p. 1.
46. A recent example is I. Malashenko, "Security--Non-Military Aspects," *Mezhdunarodnaya zhizn'*, December 1988, pp. 44-55. The author states that "in modern conditions, one can talk about the natural beginning of a serious break between the military potential of this or that country and the level of its socio-economic 'well-being.' Thus, Japan and West Germany, the military expenditures of which are relatively small, in many respects are 'healthier' than the United States, which carries the huge burden of the military budget" (p. 50). Another writer contends that Japan and the "four tigers" have demonstrated that, increasingly, economic might is overtaking military strength as the symbol of national power. K. Pleshakov, "Fort or Harbor?" *Novoye vremya*, No. 20, May 12, 1989, pp. 11-12.
47. Speech of V. Kabaizze at the 19th Party Conference, *Pravda*, July 1, 1988, p. 5.
48. Yu. Ognev, "South Korea--Belatedly?" *Mezhdunarodnaya zhizn'*, April 1989, pp. 100-105; V. Ignatenko, "After the Ball," *Novoye vremya*, No. 14, April 1, 1989, pp. 22-25, etc.
49. E.g., M. Butkov, "We Want To Cooperate With You," *Sotsialisticheskaya industriya*, June 7, 1988, p. 3; interview with Yi Tong-kun, president of Korea Systems, *Izvestia*, February 28, 1989, p. 5; G. Toloraya, "Trading With the 'Dragon,'" *Argumenti i fakti*, No. 11, March 18-24, 1989, p. 4.
50. S. Aganov, "South Korea: USSR Chamber of Trade and Industry Opens," *Izvestiya*, April 4, 1989, p. 5.

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51. G. Charodeyev, "South Korean Businessmen in Moscow," *Izvestia*, January 12, 1989, p. 4; "Trade Group Director on Economic Ties With Asia," *FBIS-SOV*, March 1, 1989, pp. 12-13; "Soviet Diplomatic Overtures To ROK Examined," *FBIS-SOV*, February 9, 1989, etc.
52. "Arbatov Interviewed on ROK-USSR Relations," *FBIS-SOV*, February 2, 1989, pp. 30-31.
53. *FBIS-SOV*, March 1, 1989, op. cit.
54. "ROK Group Asked To Build Moscow Trade Center," *FBIS-SOV*, January 31, 1989, pp. 28-29.
55. Reuters, UPI, January 24, 1989.
56. "Bilateral Port Opening With South Korea Planned," *FBIS-SOV*, January 26, 1989, p. 28.
57. "Soviet Civil Aviation Planes Can Fly To Seoul," *FBIS-SOV*, February 10, 1989, p. 18.
58. Roundtable discussion, "To the Asian-Pacific Region--Peace and Security," *Kommunist*, No. 8, 1988, pp. 120-126.
59. A recent example is A. Illarionov, "Where Are We Situated?" *EKO*, No. 12, 1988, pp. 39-55, on China, p. 47.
60. V. Spandar'yan and N. Shmelev, "Problems of Raising the Efficiency of Foreign Economic Ties of the USSR," *MEMO*, No. 8, 1988, pp. 10-25.
61. *Ibid.*, p. 17.
62. N. Shmelev, "The American Economy on the Threshold of the 90's," *SShA*, No. 10, 1988, pp. 3-13, especially pp. 5, 8, 13.
63. The connection between export and the free economic zones was recently underscored by top economist Abel Aganbegyan. "Aganbegyan News Conference on Economy, Industry," *FBIS-SOV*, April 5, 1989, p. 87.
64. Spandar'yan and Shmelev, op. cit., p. 21.
65. *Ibid.*, p. 16.
66. Klyuchnikov, op. cit. Similarly, V. Shipayev (also a Far East specialist with the Academy of Sciences), "From Silence to Contracts," *Komsomolskaya pravda*, October 25, 1988, p. 3. This latter article also covers a wide-ranging discussion of possible USSR-ROK trade ties.

NOTES (Continued)

67. A. Kireyev, "The Economics of Disarmament," *Novoye vremya*, No. 4, January 20, 1989, pp. 14-17.

68. *FBIS-SOV*, January 26, 1989, op. cit.

69. For more recent discussion of Nakhodka as the first free economic zone see "Official on Cooperation With DPRK, Japan, ROK," *FBIS-SOV*, June 12, 1989, pp. 14-15, and "Economist Foresees Nakhodka Special Economic Zone," *FBIS-SOV*, June 13, 1989.